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TAGS: [AORC](#) [PREL](#) [KNNP](#) [IAEA](#) [UN](#)
SUBJECT: IMPACT OF AMANO "DOWRY" ON IAEA BUDGET

REF: A. UNVIE 279
[1B.](#) UNVIE 313

Classified By: Charge d'Affaires Geoff Pyatt for reasons 1.4 b/d

[¶1.](#) (C) Summary: Now that Yukiya Amano has been elected to the post of IAEA Director General, many IAEA Member States expect Japan to flood the Agency with cash. There is some truth to this perception, thought the actual amounts may not amount to a "flood." Japan privately supports a budget increase and will donate several million Euros to safeguards infrastructure. According to the Japanese Mission, Amano will also enjoy access to a pool of Japanese government discretionary funds to distribute among his new Deputies, contingent upon their wise and efficient use of the cash. Overall, Japan's financial outlay will clearly mesh well with U.S. priorities and our own extrabudgetary contributions. Less positively, Japan's discreet support for a budget increase does nothing to relieve the perception of U.S. isolation as we attempt to convince Germany, France, the UK and others to accept a budget increase. End Summary.

[¶2.](#) (C) Dollar signs have appeared in the eyes of many of Vienna's diplomats in the wake of Yukiya Amano's election as IAEA Director General. The going assumption is that Japan will pledge significant amounts of new money to support Amano when ElBaradei hands over the reigns on December 1 (the so-called Japanese "dowry effect"). First Secretary Shota Kamishima told Msnoff that other Member States, particularly G-77 Member States, have already approached his Mission with inquiries about the nature and quantity of the "dowry."

[¶3.](#) (C) On the Regular Budget, Kamishima said that Japan was "very flexible" (i.e., Japan supports an increase). Unfortunately, when asked whether Japan would come out in favor of the latest budget proposal for an 8.5 percent real increase, Kamishima said "now is not the time" (reftels). He reminded Msnoff that Japan's position on the budget had been very delicate during the DG selection process, and that it simply would not look right to jump in with strong support for the budget proposal immediately after the Amano election.

(Note: In fact, Japan could well avoid any public support for a budget increase throughout the negotiation process, even if European hardliners succeed in whittling down the proposed increase to zero. End Note.)

[¶4.](#) (C) As far as extrabudgetary contributions, Kamishima said that Japan would make a multi-million Euro contribution to the Safeguards Analytical Laboratory (SAL). Japan will rely on extrabudgetary funds that had been destined for projects in North Korea but which had suddenly been "liberated" by the ejection of IAEA inspectors from the DPRK earlier this year.

Japan can also tap carryover funds that were destined - but not used - for safeguards at the JMOX plutonium facility in Japan.

¶15. (C) Based on a quick comparison of available funds, it appears to us that a combination of U.S. and Japan extrabudgetary funds could likely cover the 4 million Euros requested for SAL in 2010 extrabudgetary funds (as detailed in the latest budget proposal from the Board Vice Chairman). U.S. and Japanese extrabudgetary contributions could also put a significant dent in the proposed 5.3 million Euros for SAL in the 2010 capital investment fund (resourced from the Regular Budget and similarly detailed in the latest budget proposal). This latter effort would bring down the overall price tag of the proposed Regular Budget increase.

¶16. (C) Asked what Japan might ask for in exchange for its largesse on SAL, Kamishima insisted that Japan had not considered this point. Instead, the multi-million Euro contribution will be announced as a goodwill gesture upon Amano's accession to the director generalship. Kamishima asked that the U.S. keep details of the "dowry" in strict confidence. (Note: Japan's intention to relieve other Member States of paying for SAL with no strings attached differs from the U.S. negotiating strategy, which may eventually offer SAL funds in exchange for addressing other U.S. priorities in the Regular Budget.)

¶17. (C) Regarding G-77 proposals for the 2010-2011 budget cycle, Kamishima rejected the concept of "shielding" as unfair, and noted that the U.S. and Japan, the IAEA's two largest donors, would bear the brunt of its effects (reflets). Kamishima was far more responsive to the idea of an automatic link between increases in the Regular Budget and increases in the TCF. Though the TCF is officially a "voluntary" fund, the Japanese Finance Ministry views these contributions as compulsory. Nor does Japan experience any major philosophical problem with paying into TCF, since Japan views TCF as a "core function" of the Agency.

¶18. (C) Kamishima recognized that Japan's approach to the TCF is lavish compared to other major contributors, who speak harshly about the TCF's relevance and efficiency. He was surprised, however, that there was so little sympathy among major contributors for the G-77 view of TCF negotiations as "humiliating." He was similarly surprised that other major contributors were so patently uninterested in exploring solutions to the problem. For example, Kamishima acknowledged, as Canada argues, that synchronizing the TCF's two-year cycle with that of the Regular Budget (effected last year) was "positive," but he dismisses this as nothing new and certainly nothing that will be viewed by the G-77 as a "serious concession" as far as budget talks are concerned.

¶19. (C) Kamishima mentioned one last aspect of the Japanese dowry, namely that Amano will take office on December 1 with a quantity of "pocket money" for each of the Major Programs. In exchange for the cash, Deputy Directors General will be expected to demonstrate their efficient and wise use of the money. (Kamishima did not divulge the amounts involved.)

Comment

¶110. (C) It appears IAEA Member States will witness some form of large "thank you" from Japan, now that Amano has been elected. Some of the money, like the contributions for SAL, will come without many strings attached. Other amounts will be distributed more discreetly. The impact of Amano's election on budget negotiations is, however, limited. His victory will keep Japan from rejecting a budget increase - a welcome relief - but the delicate politics involved also restrain Japan from eagerly supporting the budget proposal. Japan and the U.S. pay nearly half of the IAEA's Regular Budget, but ironically, Amano's election prevents us from forming a strong, public position in support of an increase. The unfortunate result is continued U.S. isolation in disagreement with the relentless, zero growth positions

touted by Germany, France, and other skeptics of the IAEA's
need for additional resources. End Comment.
PYATT